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MONTHLY TAX FEATURES

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U.S. Debt Ceiling Hits $1.3 Trillion in Wake of High Spending, Deficits

Once again, on the eve of the 1983 fiscal year, Congress approved an increase in the Federal debt ceiling to enable the government to continue its operations. The latest action raised the ceiling to $1.290 trillion, almost 13 percent above the existing $1.143 trillion level, effective October 1, 1982, the start of the fiscal year.

The increase was necessary in view of substantive legislation previously approved by Congress leading to higher levels of spending and debt, and in the light of expectations concerning revenues. The new limit, approved by the House earlier in the year, had been delayed in the Senate from August 15 to September 23 by debates on unrelated social issues. The action will enable the Treasury to continue borrowing to finance deficits now estimated at about $109 billion in fiscal 1982 and between $140 and $160 billion in fiscal 1983.

Although the Federal fiscal year 1982 ended on September 30, the final Treasury figures on outlays, receipts, and the exact size of the deficit will not become known for several weeks after that. The latest budget revisions of the Office of Management and Budget place the estimated deficit for 1982 at $108.9 billion.

Even in the unlikely event that the final number is somewhat less, the 1982 deficit will be the largest in history, exceeding the previous record

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House Budget Chairman James R. Jones Named For 1982 Distinguished Public Service Award

Congressman James R. Jones, Representative of the 1st District of Oklahoma and Chairman of the House Budget Committee, will deliver a major address at the Tax Foundation's 45th Annual Dinner on Wednesday, December 1, when he receives the Foundation's Distinguished Public Service Award for 1982. The dinner will be held at the Plaza Hotel in New York City, and will be preceded by a formal reception at 6:00 p.m.

Jones is now in his fifth term in the House of Representatives. In addition to heading the Budget Committee, he is a ranking member of the House Ways and Means Committee, Chairman of the House Democratic Research Organization, and a member of the House Democratic Steering and Policy Committee.

The dinner in honor of Chairman Jones follows the Foundation's day-long 34th National Conference on "The Federal Fiscal Dilemma—Is There a Solution?" at which economists and public finance experts will explore the major tax and fiscal issues confronting the nation. The conference will also be held at The Plaza. Keynote speaker at the luncheon will be The Honorable Wilbur D. Mills, former Chairman of the House Ways and Means Committee and twice recipient of the Tax Foundation's Distinguished Public Service Award.

For further information about the 34th National Conference and 45th Annual Dinner, or to obtain a reservation form, contact the Tax Foundation, 1875 Connecticut Avenue, N.W., Washington, D.C. 20009, or telephone 202/328-4500.

Federal Budget Deficits, Debt Outstanding, and Related Measures
Selected Fiscal Years 1975-1982
(Billions)

Year	Receipts	Outlays	Surplus/ deficit (–)	Interest on debt	Debt outstanding[a]
1975	$279.1	$324.2	$ –45.2	$ 32.7	$ 544.1
1976	298.1	364.5	–66.4	37.1	631.9
T.Q.[b]	81.2	94.2	–13.0	8.1	646.4
1977	355.6	400.5	–44.9	41.9	709.1
1978	400.0	448.4	–48.8	48.7	780.4
1979	463.3	491.0	–27.7	59.8	833.8
1980	517.1	576.7	–59.6	74.9	914.3
1981	599.3	657.2	–57.9	95.6	1,003.9
1982[c]	622.1	731.0	–108.9	118.2	1,137.1

[a]End of fiscal year.
[b]Transition quarter.
[c]Estimates from Mid-Session Review of the 1983 Budget.
Source: Treasury Department; Office of Management and Budget.

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The Front Burner

By Robert C. Brown
Executive Vice President
Tax Foundation, Incorporated

"Do not let your left hand know what your right hand is doing."

At the risk of becoming excessively biblical, the text cited above came to mind as soon as we began to take a hard look at the way tax and fiscal policy have been conducted for the last two years.

The Economic Recovery Tax Act of 1981 (ERTA) was a strong start down the right road—accelerated cost recovery, reduction of the corporate tax rate, revised leasing provisions to help unprofitable companies, lowering of the tax on capital gains, incentives for research and development, and the three-year personal tax cut.

Then came TEFRA—the Tax Equity and Fiscal Responsibility Act of 1982. It might better have been called the Tax Exacerbation and Fiscal Revocation Act. Recent memory fails to uncover a major piece of legislation so inaccurately named. There is little equity and less fiscal responsibility in TEFRA or in the way the bill was written.

TEFRA is pure election-year politics. It takes a little bit from many groups to forestall concerted opposition. Its origins in the Senate Finance Committee—of at least dubious constitutionality—gave House members the chance to keep their fingerprints off an election-year tax hike. It also gave those up for election a way to argue that they were not trying to balance the budget on the backs of the poor and working man.

TEFRA repealed nearly half of the business relief included in the 1981 tax bill, leaving a number of companies worse off than they would have been had there been no tax bills in 1981 and 1982.

But as bad as TEFRA is, the big hypocrisy lies in the gap between Congress's promise and performance with regard to spending cuts.

The House and Senate promised in the First Concurrent Budget Resolution to enact tax increases of $20.9 billion in fiscal '83, $36.0 billion in fiscal '84, and $41.4 billion in fiscal '85. TEFRA did that.

The resolution promised spending cuts of at least $200 billion over the next three years. Congress delivered $7.0 billion in fiscal '83, $10.6 billion in fiscal '84, and $13.1 billion in fiscal '85—a grand total of $30.7 billion in real cuts. That's a shortfall of about $170 billion. Even for the U.S. Congress, that's a huge gap between promise and performance.

That shortfall sends a clear message: When it comes to the presumed link between taxing and spending, in the U.S. government, the left hand obviously does not know what the right hand is doing.

State and Local Work Rolls Show 1.6% Decline; First Decrease in Such Employment in 35 Years

After 35 years of continuous growth, state and local government employment may be entering a declining phase, according to Tax Foundation economists. Data for the month of October, compiled annually by the Census Bureau, revealed that in 1981, latest year reported, the number of workers on state and local payrolls dropped by 212 thousand, or 1.6 percent, from the previous year.

In October 1981 there were 13.1 million full and part-time employees on state-local government payrolls, as compared to the all-time high level of 13.3 million in October 1980. On a full-time equivalent basis, the number of employees fell from 11 million in 1980 to 10.9 million in 1981, or 1.2 percent.

Although the rate of growth in state-local employment has been easing downward for several years, the 1980-1981 decline is largely attributable to Congressional action last year in ending the public service employment portions of the Comprehensive Employment and Training Act on October 1, 1981. Other factors tending to restrain employment growth are declining enrollments in public schools, and recession-induced budgetary pressures requiring some cutbacks in the workforce of many states and localities.

Local governments employ more than twice as many persons as state governments. In 1981 there were 7.8 million employees on local government payrolls and 3.1 million on state payrolls. Almost one-half of all state and local employment is in the field of education.

For the decade 1971-1981, the number of full-time equivalent employees on state and local government payrolls jumped by more than 2.1 million—from 8.8 million in 1971 to 10.9 million in 1981 (24 percent for the period, and about 2.2 percent per year). During the 1950s and 1960s, however, as the rate of growth exceeded 4 percent per year, state-local employment grew much faster than population in general. For the 26-year span from 1951 to 1977, full-time equivalent employment increased about twice as rapidly as total population.

Full-time equivalent employees per 10,000 population rose from 248 in October 1951 to 495 in October 1977. For the past two years, however, the ratio of state-local employees to the public they serve declined from a peak of 497 employees per 10,000 population in 1979, to 488 and 476 in 1980 and 1981, respectively.

Despite the reduction in employment from 1980 to 1981, payrolls rose by 8.3 percent—from $14.7 billion to nearly $16 billion. (Thirty years ago, the October payrolls of state and local governments were only slightly more than $1 billion.) Last October, two states had payrolls topping $1 billion: California with $2.1 billion and New York with $1.6 billion. Following them were: Texas, Illinois, Michigan, Pennsylvania, and Ohio, with October 1981 payrolls of $938 mil-

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To Our Readers

Tax Review will not be published in October 1982. Publication will resume with the November/December issue.

Special Purpose Units Multiply as Local Jurisdictions Splinter

General-purpose local jurisdictions in the United States may be yielding to more splintered forms of government, as units designed to provide a single service or a limited range of services proliferate, say Tax Foundation researchers.

A new survey by the Bureau of the Census counts a total of 82,637 such units in operation at the beginning of 1982. That represents an average of one local government unit for every 2,788 persons in the country—or 1,654 local units per state.

Included in the total count are 38,872 general-purpose jurisdictions (counties, municipalities, and towns and townships), 28,733 special districts, and 15,032 school districts.

Over the last 20 years, the number of general-purpose local governments has remained fairly stable. (There are 687 more such units today than in 1962.) However, special districts have increased dramatically during this period, reversing a long-term decline in the number of local government units.

Over 90 percent of these special districts exist to perform single functions or to oversee specific areas of responsibility. They include various commissions, authorities, boards, and other entities with sufficient autonomy to merit distinction from the administrative structure of any other government units.

Since 1972, the total number of local government units in the United States has risen by 5.6 percent, and general-purpose governments have increased by only .8 percent. At the same time, school districts have decreased in number by 4.7 percent. Special districts have risen, in contrast, by 20.3 percent.

The finances of special districts, not surprisingly, have also grown more rapidly than those of other local units. In 1980 (latest year reported) expenditures for special districts totaled $24.9 billion, an increase of 192 percent since 1972, as compared to a rise of 114 percent in spending for all other

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Number of Governmental Units in the United States
Total by Level of Government by State, 1982
Selected Years 1942-1982[a]

Year and state	All government units[b]	Counties[c]	Municipalities	Townships and towns	School districts[d]	Special districts
A. Total units						
1942	155,116	3,050	16,220	18,919	108,579	8,299
1952	116,807	3,052	16,807	17,202	67,355	12,340
1957	102,392	3,050	17,215	17,198	50,454	14,424
1962	91,237	3,043	18,000	17,142	34,678	18,323[e]
1967	81,299	3,049	18,048	17,105	21,782	21,264
1972	78,269	3,044	18,517	16,991	15,781	23,885
1977	79,913	3,042	18,862	16,822	15,174	25,962
1982	82,688	3,041	19,083	16,748	15,032	28,733
B. Detail by state						
TOTAL	82,688	3,041	19,083	16,748	15,032	28,733
Alabama	1,019	67	434	—	127	390
Alaska	157	8	142	—	—	6
Arizona	459	14	76	—	231	137
Arkansas	1,430	75	472	—	376	506
California	4,112	57	428	—	1,115	2,511
Colorado	1,568	62	267	—	207	1,031
Connecticut	481	—	33	149	16	282
Delaware	219	3	56	—	19	140
District of Columbia	2	—	1	—	—	1
Florida	972	66	391	—	95	419
Georgia	1,271	158	534	—	188	390
Hawaii	19	3	1	—	—	14
Idaho	1,018	44	198	—	117	658
Illinois	6,464	102	1,280	1,434	1,050	2,597
Indiana	2,873	91	565	1,008	306	902
Iowa	1,874	99	955	—	457	362
Kansas	3,819	105	627	1,380	326	1,380
Kentucky	1,253	119	426	—	180	527
Louisiana	469	62	301	—	66	39
Maine	808	16	22	475	98	196
Maryland	443	23	152	—	—	267
Massachusetts	799	12	39	312	81	354
Michigan	2,646	83	532	1,245	601	184
Minnesota	3,530	87	855	1,795	436	356
Mississippi	860	82	292	—	169	316
Missouri	3,128	114	929	324	559	1,201
Montana	1,045	54	126	—	412	452
Nebraska	3,336	93	535	469	1,080	1,158
Nevada	186	16	17	—	17	135
New Hampshire	507	10	13	221	149	113
New Jersey	1,597	21	323	244	553	455
New Mexico	320	33	96	—	89	101
New York	3,301	57	615	932	773	923
North Carolina	910	100	484	—	—	325
North Dakota	2,798	53	365	1,360	325	694
Ohio	3,353	88	941	1,318	627	378
Oklahoma	2,262	77	582	—	653	949
Oregon	1,460	36	241	—	354	828
Pennsylvania	5,317	66	1,019	1,549	618	2,064
Rhode Island	125	—	8	31	3	82
South Carolina	652	46	265	—	92	248
South Dakota	1,768	64	312	996	195	200
Tennessee	914	94	335	—	13	471
Texas	4,192	254	1,121	—	1,125	1,691
Utah	506	29	224	—	40	212
Vermont	668	14	57	237	274	85
Virginia	408	95	229	—	—	83
Washington	1,735	39	265	—	300	1,130
West Virginia	637	55	231	—	55	295
Wisconsin	2,596	72	580	1,269	409	265
Wyoming	401	23	91	—	56	230

[a]Data for 1982 are preliminary.
[b]Includes the Federal government, the District of Columbia, and the state governments. Alaska and Hawaii are included beginning 1952. Among the local units, 67,780 had property-taxing power in 1977.
[c]Includes areas corresponding to counties but having no organized county government.
[d]Includes local school systems operated as part of state, county, municipal, or township governments.
[e]Beginning 1962, data are not strictly comparable to prior years because of a change in classification.
Source: Department of Commerce, Bureau of the Census.

U.S. Debt

(Continued from page 1)

of $66 billion experienced in fiscal year 1976. In both years much of the deficit could be attributed partly to severe contractions in economic activity—the deepest in the post-World War II period. In addition, the latest deficit also reflects Congressional action in 1981 in approving significant tax reductions.

Examining budget trends since the mid-seventies, TF researchers note that, from 1975 to 1982, budget outlays and receipts both have grown by amounts averaging 12 percent each year. Outstanding debt has increased at the slightly slower rate of 11 percent annually.

Annual interest payments on the debt, however, have risen at annual rates of close to 20 percent, in response to larger and larger Treasury borrowings at high rates of interest. Interest on the public debt in fiscal 1982 is estimated at $118.2 billion, an increase of 24 percent over fiscal year 1981.

Even on a net basis, budget outlays for interest in 1982 totaled about $83 billion (after deducting interest paid to agencies by the Treasury on some trust fund assets). At this level, interest is the third largest category of Federal spending. Income security (social security and related programs) claims 35 percent of the Federal budget dollar; national defense, 30 percent; and interest, 11 percent.

The table on page 1 gives details.

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State-Local Jobs

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lion, $800 million, $724 million, $681 million, and $646 million, respectively. Five states—Vermont, South Dakota, Delaware, Wyoming, and North Dakota—each paid out $50 million or less to their employees.

The combination of increased payrolls and declining employment works out to a 9.6 percent increase in payroll per full-time equivalent employee—from $1,333 in October 1980 to $1,461 in October 1981. There was, however, a large variation in increases in payrolls per full-time equivalent employee among the states. Public employees in North Dakota averaged a 16.7 percent increase while those in Connecticut averaged only 0.4 percent. Other states in which increases in payrolls per employee were above the national average were: Louisiana (15.6 percent), New York (13.2 percent), Wyoming (13.1 percent), New Hampshire (12.5 percent), and Rhode Island (12.3 percent). Increases in payrolls per full-time equivalent employee were substantially below the national average (below 6 percent) in Utah, Minnesota, Massachusetts, Maine, Missouri, and Wisconsin.

The table below provides further details.

State and Local Government Employment[a] and Payrolls
Month of October, Selected Years 1951-1981

Year	Employment[a] (thousands)	Payroll (millions)	Employment[a] per 10,000 population	Payroll per employee[a]
1951	3,815	$ 1,008	248	$ 264
1956	4,687	1,566	280	334
1961	5,845	2,420	319	414
1966	7,263	3,798	378	523
1971	8,806	6,382	427	725
1976	10,206	10,359	475	1,015
1977	10,591	11,420	495	1,078
1978	10,724	12,139	492	1,132
1979	10,944	13,349	497	1,220
1980	11,047	14,730	488	1,334
1981	10,917	15,954	476	1,461

[a]Full-time equivalent basis.
Source: Bureau of the Census and Tax Foundation computations.

Special Units

(Continued from page 3)

local units combined. Special district spending in 1980 accounted for nearly 10 percent of local expenditures. Outstanding debt of the special districts came to $59.4 billion at the end of fiscal year 1980, accounting for almost 28 percent of all local debt, as compared to 21 percent of the total in 1972.

Direct spending by local governments came to $259.0 billion in fiscal 1980. Of this, municipalities accounted for $91.7 billion (35.4 percent), school districts for $80.8 billion (31.2 percent), counties for $53.1 billion (20.5 percent), special districts for $24.9 billion (9.6 percent), and towns and townships for $8.4 billion (3.3 percent).

Despite the increase in special districts, between 1942 and 1982, the total number of government units operating in the United States fell by almost one-half. This long-term decline was due primarily to consolidation of school districts, which were reduced from nearly 110,000 in 1942 to just over 15,000 in 1982. There have also been reductions in the numbers of counties and towns. Partly offsetting were increases of over 2,800 in municipalities and over 20,000 in special districts.

In total, 82,688 units of government operate in the United States, of which all but 51 are local. Over four-fifths of the local units have the power to levy property taxes.

The table on page 3 provides historical data on the number of government units by type for selected Census years since 1942, and state-by-state details for 1982.

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TAX FOUNDATION'S MONTHLY VOL. 27 NO. 1 JANUARY 1983

TAX·FEATURES

U.S. Economy Will Face "Window of Opportunity" in 1983

Two Oklahoma Congressmen told attendees at the Tax Foundation's annual conference and dinner that they consider 1983 a critical year in our national economic life.

Representative James R. Jones, Chairman of the House Budget Committee, in accepting the Tax Foundation's Distinguished Public Service Award, told those attending the dinner, "I consider it to be one of the most critical years in the economic history of the United States, certainly of this half of the twentieth century.

Senator David Boren, senior Senator from Oklahoma and a ranking member on the Senate Finance Committee, delivered essentially the same message to the luncheon. "If we can bring together the elements necessary to solve the problems that we face, we could put our economy on solid and stable footing," he said, "to begin a recovery that could be far more prolonged and, really, far more sound and meaningful than any recovery we have had coming out of an economic cycle for many years."

Both lawmakers focused on a number of things which would have to be done in order to take advantage of what Jones described as a "window of opportunity . . . the best chance we have in the next three years of putting together a bipartisan coalition." Both agreed that deficits must be reduced and the rate of growth of Federal spending must be slowed.

"Unless we bring down the deficit, we cannot sustain any kind of economic recovery, because sooner or later we will again have a clash between private sector borrowing and public sector borrowing," Boren told his audience. "We have tried to control it by slogans. We have tried to control it by theory. We have tried to control it by wishing it away," Jones charged. "But we really haven't tackled the way you control it: You cut spending. If necessary, you raise sufficient revenues to pay for the essential costs of government."

Emphasizing that "we have essentially concentrated on less than 20 percent of the entire budget" in cutting spending so far, Jones maintained that the Congress and the Administration would have to concentrate on the "remaining 80+ percent of that budget," including military expenditures, entitlement programs, and interest on the debt. Both agreed that Social Security was the largest part of the entitlements problem needing attention.

On the possible solutions, the speakers diverged somewhat. Boren rejected any "pump-priming" efforts, and called for a program which would have "a dramatic

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Consumption and Flat Taxes Weighed as Alternates to Income Tax System

Alternatives to the present Federal tax system served as the topics of discussion for Al Ullman and Robert E. Hall at the Tax Foundation's December 1 National Conference. Ullman, who served as Chairman of the House Ways and Means Committee from 1975 to 1981, discussed the consumption tax as a substitute for Federal corporate and personal income taxes.

He said that his experience on the Ways and Means Committee made it obvious to him that "major restructuring of the tax system was absolutely essential." He introduced legislation, in 1979 and again in 1980, "calling for extensive restructuring of our tax system, involving major reduction in income taxes and payroll taxes, offset dollar-for-dollar by a broadly based, flat-rate transaction tax on the product side." He did so, he explained, out of a firm belief that "the other components that balance growth cannot be achieved without developing a revenue system that produces adequate revenue to pay for government."

Ullman also spoke of the need for a new tax policy solution to turn around "the incentives in our capital system toward savings, investment, and productivity." He indicated that "only by a shift away from the income

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MARK YOUR CALENDAR

Tax Foundation's 35th National Conference and 46th Annual Dinner will be held this year on Wednesday, November 30, 1983, at the Plaza Hotel in New York City. Details will follow in future issues of *Monthly Tax Features*.

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Top Economist at Citibank Foresees "Surprisingly Strong" '83 Recovery

"Surprisingly strong recovery" for the first three to six months of 1983 was predicted by Leif H. Olsen, Chairman of the Economic Policy Committee of Citibank, at Tax Foundation's 34th National Conference in New York on December 1. Among the factors which would bring about a recovery "stronger than most people believe," Olsen listed:

- the decline in both short- and long-term interest rates;
- the rally in the stock and bond markets;
- the lowering of the prime rate;
- and the fall in the rate of inflation as measured by both the Consumer Price Index and the GNP price deflator.

All of these he called "contrary to expectations."

Olsen credited the Federal Reserve for restoring faith in "its credibility as a fighter of inflation" which, in turn, has created "an explosive increase in the willingness to lend and invest."

While the human mind tends to project the future in straight lines—"by an average trend"—Olsen argued, "That is not the way the world works." In actual experience, he said, "the economy fluctuates around the average trend, and sometimes fluctuates rather spectacularly." This is why the first or second quarters of a recovery often see "an explosive increase in money velocities, which lifts nominal GNP to levels far above the average trend that subsequently ensues," he noted.

"The economy fluctuates around the average trend, and sometimes fluctuates rather spectacularly."

The Citibank economist pointed out that personal consumption expenditures have been rising since January or February of 1982, observing that "the first half of 1983 could easily see real growth rates in the neighborhood of 5 percent or more, on average, and nominal GNP between 10 and 11 percent, with a single quarter, in fact, running well above that level."

"Current consumption is literally being financed with very long-term debt."

The velocity of money has been "running lower than we would expect," Olsen said, and as velocity goes back to a normal 3 or 4 percent annual rate, "nominal GNP will be very significantly increased." Because of this, velocity may overshoot, "as it often does during recoveries," and give us "those three to six months of much stronger recovery than is presently anticipated."

"Recovery is imminent, if not already under way."

However, Olsen said, the strong recovery will not mean that "this distress in our economy and globally" is going "to disappear in 6 to 12 months." Excess capacity and high unemployment will plague the economy "next summer and even a year from now."

Nor will recovery be "in a straight line. We will have a slowdown," he predicted, although he also expected "some further abatement of inflation" due to price-cutting in the early stages of the recovery.

The conduct of the Fed, in Olsen's opinion, remains crucial. "A return to the extreme volatility that we have experienced in 1978, 1979, and 1980 could wipe out those recent gains."

Other points made by Olsen during his keynote morning talk to the conference include:

- Real interest rates will average slightly—1 or 2 points—"higher in the years immediately ahead than they did during the decade of the 1970s."
- "The Federal sector share of GNP is likely to grow by, say, 2 percentage points over the next two years...Such an increase in the Federal share is manageable, but it isn't desirable."

On the Federal debt and spending policies, Olsen observed, "As long as the government is borrowing and, I might add, at the same time channeling funds, billions and billions of dollars, to consumers through various transfer and entitlement programs, it cannot be denied that current consumption is literally being financed with very long-term debt."

"We are," he continued, "under those circumstances, mortgaging the income of future taxpayers because we are unwilling to make the political adjustment that is required to reduce spending. The other option is raising taxes, which is neither politically viable nor economically wise."

Olsen ended his presentation by giving the U.S. economy in 1982 a mixed review: "Recovery is imminent, if not already under way. But there is no reason to believe that we have yet solved the long-term problem of declining productivity and the rise in secular trend of inflation."

(ULLMAN/HALL, from page 1)

side toward the product and consumption side" can such a turnaround be achieved.

Conceding that there are many ways of structuring a consumption package, the former Ways and Means Chairman recommended as "the most rational application of such a tax" establishment of a tax on transactions "involving the buying and selling of products or services." To avoid pyramiding, the tax "should be applied on the basis of added value," he said. Such a tax, he claimed, would be "easily assessed and collected."

While present deficits would prevent immediate relief, Ullman foresaw a more liberal system of deductions and dollar-for-dollar offsets permitting significant reductions in individual taxes as possible future benefits of the system. He also said the transactions tax could lead to eventual elimination of the corporate tax and "some relief on payroll taxes."

Among the other benefits of the broad-based consumption tax, Ullman listed:

- "Such a tax would be eligible under GATT for

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application as a border tax."

- "The new tax would reward efficiency and penalize inefficiency, reward savings rather than spending."
- "It would have real, indirect impacts on reducing interest rates and improving productivity."
- "We could go a long way toward eliminating the underground economy."
- "Business decisions could again be made on the basis of economic factors and expectations, rather than tax consequences."

Robert E. Hall, Professor of Economics at Stanford University and Senior Fellow at the Hoover Institution, explored the flat-rate tax proposal in his remarks. He called this "a tax system which provides higher revenue at lower tax rates . . . by the philosophy of broadening the tax base, providing a comprehensive yet well-worked-out tax, one that does not involve double taxation or the elimination of business deductions."

"You could think of our proposal," he said, "as simply a slightly more radical proposal of Ullman's proposal." He pointed out that, unlike the Ullman plan, his system abolished "the personal income tax" and "made the consumption tax progressive, rather than proportional to consumption."

Hall said that in designing his version of the flat-rate tax he followed a number of basic principles:

- "All income should be taxed exactly once."
- "All income should be taxed at a low rate."
- The "simplicity of the tax system" was a very important feature.

Under Hall's flat tax, a business "simply reports all its revenues and then deducts two things, under the value-added principle. One is purchases of goods upon which tax has already been paid . . . The other is that it deducts all of its investment spending. That is what makes it a consumption tax."

Although wages and salaries would also be deducted from the business tax, a departure from the value-added principle, Hall noted, "That income is taxed, under Form I, under the individual tax."

Regarding individual earners, Hall explained, "They would no longer have to file any of the complexities of the personal income tax. Instead, they would file the individual compensation tax, and they would pay tax only on their wage and salary income." Assets owned by an individual, if they produced income, would be taxed under the business tax section of his proposal, he said.

As the final point of his talk, Hall emphasized the need to eliminate the corporate income tax. "The Federal corporate income tax," he said, "is becoming like the absurd way that we taxed oil until very recently. We imposed a very large tax on oil production and used it to subsidize oil imports.

"Well, we are doing the same thing under the corporate income tax today. We are taxing a certain type of investment—entrepreneurial activities—more than anything else, and we are using it to subsidize tax shelters."

"Business decisions could again be made on the basis of economic factors and expectations, rather than tax consequences."

"We are taxing a certain type of investment—entrepreneurial activities—more than anything else, and we are using it to subsidize tax shelters."

THE FRONT BURNER

By Robert C. Brown
Executive Vice President
Tax Foundation, Incorporated

"Playing to the Grandstands"

The Social Security System is in deep trouble, let no one doubt that. Having made this point, however, it is equally important to make several others.

First, there is not the slightest possibility that the President, the Congress, or the American public will permit the system to founder. The financial security of America's elderly is not in jeopardy. It is not true that younger citizens are now paying into a system which will not exist when their turn comes to retire.

Second, politicians of all colorations have taken a revenue problem that is marginal—that is, occurring at the margin, not at the heart of the system—and turned it into a vehicle for scoring political cheap shots off each other. This unconscionable grandstanding has deeply disturbed millions of Americans who are either currently benefiting from the system or paying into it in hope of future benefits.

Even the President's bipartisan Commission on Social Security Reform has gotten into the act, as members representing different interest groups play to their respective galleries. But then, how serious was the commission meant to be, other than to shelve the issue of Social Security until after the fall elections?

There are basically two solutions to the dilemma of Social Security: restructuring or tax increases. Singly or in tandem, it is here that the economics of the system will be straightened out. The only missing ingredients are sufficient integrity to leave politics out of the debate and sufficient courage to take the heat for making the painful decisions.

Previously there have been serious questions about the wisdom of putting Social Security off-budget, thus enabling yet another major element of public expenditure to disappear from view when the Federal budget comes under discussion. Now, second thoughts arise. If that is the price to pay for giving Americans the peace of mind regarding their later years to which they are entitled, then perhaps we should pay it.

Some things are just too important to be left to the politicians.

"There are basically two solutions to the dilemma of social security: restructuring or tax increases."

"We are back where we were last year if we do not come up with a bipartisan program."

(JONES/BOREN, from page 1)

impact—a $50-70-100 billion impact—on the size of the deficit." Such a major effort, he contended, is necessary to overcome what he called the "confidence factor," which causes investors to hold back if they believe that things are going to get worse.

To deliver this major impact on the economy, Boren supported a program which would be "some sort of variation on what Senator Hollings (Ernest F. Hollings, D-SC) supported last year." This would involve "postponement of the third year of the tax cut, a freeze on all cost-of-living increases, a freeze on all increases of government workers' salaries, and a freeze in all government discretionary spending," for one year. Boren said that the tax cut "should only be used as a bargaining mechanism, as the price paid in return for getting a total constraint on spending."

While Jones called for postponing the 1983 tax cut, he avoided mention of a freeze, asking instead for the elimination of the income tax indexing provision of the 1981 tax act, which is due to take effect in 1985.

Jones and Boren were equally in agreement that any effort to turn around the economy would have to be bipartisan. "We are back where we were last year," Boren charged, "if we do not come up with a program, a bipartisan program, that leaders of both parties, the White House and the Congress, can come together on."

Jones asserted that the solution could be done only by a "broad, centrist bipartisan coalition," maintaining "that is what we are trying to build right now." He faulted the leadership of both parties for staking out extreme positions. "The big problem we have, quite frankly," he said, "is that the two principal spokesmen for the two parties, Ronald Reagan and Tip O'Neill, have made a lot of statements, a lot of rhetoric, and it's going to be very difficult to get off those rhetorical positions. But they have got to be able to get off those positions in a way that saves face on both sides and allow this broad bipartisan coalition to be put together."

Conceding that his freeze proposal was not the only option, Boren also emphasized that any viable solution would have to be "generated in a joint agreement. It can't be either Democratic or Republican. It can't be something where one party pins the price tag for the pain on the other. It has to be something that we share."

Congressional Scorecard

The 97th Congress, Second Session, convened January 25, 1982, lasted 333 days (Senate met for 147, House for 140), recessed October 2 for campaigning and elections, reconvened November 29, and adjourned *sine die* December 23 (Senate) and December 21 (House).

Of 13 regular 1983 appropriations bills, Congress, at adjournment, had cleared 7 measures—Agriculture, District of Columbia, Housing and Urban Development-Independent Agencies, Interior, Military Construction, Transportation, and Legislative Branch. The remaining 6—Defense, Energy and Water Development, Foreign Aid, Labor-Health and Human Services-Education, State-Justice-Commerce-the Judiciary, and Treasury-Postal Service-General Government—with combined funding of $379 billion, are included in an emergency appropriations bill—continuing resolution—effective through fiscal 1983. This measure, signed by the President on December 21 (Public Law 97-377), replaced a prior continuing resolution (P.L. 97-276) which expired December 17, leaving the majority of the government technically out of funds for four days. A proposal to fund emergency jobs programs was dropped during the conference on the continuing resolution because of a possible veto.

At mid-session, Congress cleared legislation raising $98 billion in taxes over three years, authorizing airport development funds, limiting Medicare and Medicaid payments to hospitals and doctors, and extending unemployment compensation benefits for six to ten weeks.

An offsetting $30.7 billion reconciliation bill (P.L. 97-253) cleared August 18, freezing dairy price supports, delaying scheduled inflation-indexed Food Stamp adjustments, and tightening recipient eligibility standards. This was $180 billion short of the $209 billion in cuts included in the First Concurrent Budget Resolution, June 1982.

Toward better government Founded 1937

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Needed: More Fiscal Responsibility

By Maynard H. Waterfield

In the current national fiscal and economic policy debates, certain facts tend to get blotted out by the windstorms of political rhetoric:

- The Federal debt now exceeds $1.3 trillion.
- The Federal budget deficit, however measured, currently exceeds $110 billion and may grow even larger.
- Since 1970, Federal spending has more than tripled to a total of $728 billion in fiscal year 1982 and is estimated to top $760 billion in fiscal year 1983.
- If Federal spending continues to increase at the same average annual rate as it did from 1970 to 1982, expenditures could top the $1 trillion level by fiscal year 1985.

As dreary a prospect as this may seem, the problem runs even deeper. It is not just spending which is out of control. The budget system itself is seriously defective and badly in need of repair. The budget does not reveal the full scope of the government's financial transactions. Congressional budget actions, despite recent reforms, continue to be erratic and inefficient. Oversight and audit procedures in general are ineffective, with the result that there is inadequate accountability.

THE BUDGET SYSTEM

The budget system basically is composed of four steps, all interrelated and equally important:

1. **Budget formulation and presentation.** This is the responsibility of the President and Executive Branch. Based on reviews and consultations involving the Office of Management and Budget, Executive Branch agencies, and other advisers, the budget submitted early in each calendar year represents the President's financial plan and sets forth his program proposals and fiscal policy priorities.

2. **Action by Congress on the proposed budget.** During its item-by-item consideration, Congress can approve, disapprove, or modify the President's proposals, by eliminating or adding programs or making changes in requested funding levels. It may also affect the budget through actions on revenue measures.

3. **Execution and implementation of the budget as modified by Congress.** This is the responsibility of the President, primarily carried out, at his direction, through the Office of Management and Budget, which controls the distribution of appropriations and other spending authorizations through an apportionment system.

4. **Oversight and audit of performance.** Some of this review and audit is conducted in-house by the Federal agencies, but the principal oversight responsibility lies with the Congress and its agent, the General Accounting Office.

Over the years each of these steps or processes has developed weaknesses, with the result that efforts to exercise effective control of the budget are seriously impeded. In addition, this lack of control has contributed to the serious erosion of public comprehension of and confidence in budgetary and fiscal policy. Without public understanding, interest, and support, budgetary problems are not likely to be confronted effectively by the political leadership; and without more "truth in budgeting," that interest and support will be difficult to develop.

BUDGET FORMULATION

Any budget as huge as that of the Federal government—including about 1,100 accounts involving a variety of funding devices and encompassing thousands of programs, projects, and activities—is bound to be extremely complicated. However, the budget put before the Congress and the public each year is more complex than it needs to be. Much more important from the standpoint of the public, it is far less revealing than it should be. As large as the published budget totals are, accounting and other techniques camouflage many additional billions of Federal receipt and expenditure dollars.

For example, in recent years Congress has acted to establish a number of programs and entities which were placed in an "off-budget" status. Their receipts and expenditures are excluded from the unified budget totals, but the excess of their outlays over receipts is added to the unified budget deficit in determining how much public debt must be financed each year by borrowing or when adjustment is required in the statutory debt limitation. In fiscal year 1981, these off-budget entities had receipts of $40.9 billion and expenditures totaling $61.9 billion, with a resultant $21 billion deficit.

Other very sizable government transactions are included in regular unified budget totals only on a "netted out" basis, i.e., only the excess of outlays over receipts (or vice versa) is reported in the budget. Called public enterprise and trust revolving funds, a part of their activities is financed through other budget or off-budget accounts. In terms of the flow of funds to and from the public, public enterprise funds had receipts of $32.6 billion and outlays of $63.9 billion in fiscal 1981. On the same basis, trust revolving funds had receipts of $3.3 billion and outlays of $5.4 billion.

The unified budget presentation also includes substantial amounts of receipts, in budget parlance called "proprietary receipts from the public," which are not counted as budget receipts at all, but instead are offset against certain outlays. This represents a "wash" transaction, reducing both budget receipt and outlay totals. In fiscal year 1981, such offsetting receipts totaled $32.5 billion.

Certain other receipts from non-Federal sources, sometimes called "contributions," are similarly offset against certain outlays. Although data on such receipts had been provided in recent years by the Office of Management and Budget upon request, such a request for the 1981 total was denied.

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For that reason, the $8.9 billion of estimated non-Federal receipts in that year, provided earlier, is arbitrarily being used for the purpose of this analysis.

The latest unified budget presentation reported actual totals for the fiscal year 1981 as follows: budget receipts, $599.3 billion; budget outlays, $657.2 billion; the deficit, $57.9 billion. But when the transactions of off-budget entities are added in, the "netting out" process eliminated, and the indicated "offsetting" receipts are counted as receipts rather than as offsetting outlays, gross budget transactions, in terms of the flow of funds from and to the public, are 20-25 percent larger than the published totals, as reflected in the table below.

Gross Federal Budget Transactions with the Public
Fiscal Year 1981
(Billions of Dollars)

Item	Receipts	Outlays	Deficit
Unified budget totals	599.3	657.2	57.9
Off-budget entities	40.9	61.9	21.0
Public enterprise funds	32.6	63.9	31.3
Trust revolving funds	3.3	5.4	2.1
Offsetting-receipts:			
Proprietary receipts from the public	32.5	32.5	—
Receipts, non-Federal sources	8.9	8.9	—
Adjustments to avoid double counting:			
Net outlays, public enterprise funds		− 12.2	
Net receipts, trust revolving funds	− 2.2		− 10.0
Total, gross transactions with the public	715.3	817.6	102.3

Since the economy and the Federal budget are so interrelated, the budget should accurately and openly reflect the flow of funds from and to the public. This is not now the case. It is possible to assemble the above data through detailed examination of three separate budget documents, but only by means of a complex and time-consuming exercise.

RECOMMENDATION: Existing off-budget entities should be returned to on-budget status and their transactions fully reported in the unified budget; no new off-budget programs or activities should be created.

RECOMMENDATION: The present unified budget concept should be adjusted to reflect gross transactions with the public, with all receipts counted as such and all outlays fully reported; alternatively, a tabulation of the gross transactions should be included in each annual budget, with appropriate explanatory material.

Another element of the present budget presentation which deserves reevaluation involves the classification of a large percentage of budget outlays as "relatively uncontrollable." Each budget now includes a tabulation which, at least to the ordinary citizen, suggests that about three-fourths of total Federal spending is uncontrollable. True, examination of the explanatory material presented elsewhere in the budget reveals that the uncontrollability factor relates to short-term (annual) control, because program levels are already determined by provisions of law in effect at the time when the budget is being formulated.

This kind of outlay classification, however, tends to give credence to an impression that any spending restraint efforts must focus primarily on the one-fourth of the budget outlays which are classified as controllable. It is also sometimes seized upon by those opposing spending restraint, or who consistently demand cuts in national defense outlays (most of which are classified as relatively controllable) while vigorously resisting cutbacks in domestic benefit programs.

Under the present controllability concept, "relatively uncontrollable" budget outlays are grouped in two categories: open-ended programs or fixed costs, and outlays from prior-year contracts or obligations. Actually, only two types of outlays are susceptible to little or no discretionary control: net interest payments on the public debt and outlays required by contracts or obligations previously entered into. In fiscal year 1981, these represented about 27 percent of total outlays as reported in the unified budget.

All of the remaining "relatively uncontrollable" outlays are susceptible to varying degrees of control. For example, among the open-ended programs in fiscal 1981, those providing payments for individuals account for more than three-fourths of the total (or $294.5 billion). Some of these would seem to be more susceptible to short-term control than others. Programs involving contributions from the public—social security and other retirement programs, unemployment assistance, and to an extent medical care—are probably open to limited control. But to indicate that student aids, food and nutrition assistance, general revenue sharing, farm price supports, and certain other programs are in a similar status raises questions.

RECOMMENDATION: Consideration should be given to recasting the budget tabulation on controllability of outlays (table 17, page 9-46 in the 1983 budget), so as to present a grouping of the programs classified as "relatively uncontrollable" in a manner which would reflect the degree of susceptibility to control through the annual budget cycle.

Another problem with budget formulation involves the economic assumptions upon which budget receipt and outlay estimates are based. Some economic basis for these estimates obviously is essential; but if such assumptions are too far off the mark or are deliberately doctored to support a desired budget result, the estimates can be not only misleading but also meaningless. There appears to be no recourse except to rely on the good judgment of the budget formulators; but there is a responsibility on the part of budget analysts to challenge such assumptions if they appear to be unrealistic.

CONGRESSIONAL ACTION

Responsible and timely action by Congress on the President's budget proposals is a vital element of the budget system. However, the processes by which Congress acts are complicated and often not clearly understood, even by some Members of Congress.

No agency or program may be established or undertaken unless first authorized by act of Congress. This authorization process is the responsibility of the legislative committees of Congress, not the Appropriations or Budget committees. Most program authorizations, as contrasted with the establishment of a Federal agency, are provided for stated periods of time; and reauthorization is required at the expiration of that period. Some agency operations require annual authorizations, however. Some authorization measures include dollar "ceilings" on the amount which can be appropriated for the programs covered; others may simply authorize such sums as may be considered necessary.

RECOMMENDATION: Authorizing bills should, wherever possible, include a limit of no more than three years for any program, so as to provide opportunity for review of program performance and policy considerations once in each congressional term; and each authorization bill should specify a dollar limit for each year of program operation.

The next step is the consideration of the first budget resolution required under the 1974 budget act. This sets target totals for receipt, outlay, and spending authority actions. Then Congress turns to the appropriation process, during which time it may approve, increase, reduce, or reject the President's budget requests for spending authority.

What requires understanding, however, is that in this appropriating process, Congress does *not* in most instances act directly on the annual level of budget outlays. Even its later adoption of "binding" ceilings on functional and overall outlay totals in the final budget resolution is susceptible to revision at any point; and its effect on later Presidential expenditure decisions is questionable at best.

Budget (or spending) authority is provided by Congress in different forms—as appropriations, contract authority, or borrowing authority. Appropriations made available for current operations usually are available for obligation only during the current year (annual appropriations); some are provided for a longer period (multiple-year appropriations); some (no-year appropriations) remain available until expended. For certain programs, budget authority becomes available automatically, without requiring congressional action (permanent appropriations).

Beyond this, there is only an indirect relationship between the amounts of spending authority voted by Congress in any year and the actual budget outlays in that year. A significant portion of outlays in any given year is made under spending authority provided in prior years; by the same token, sizable amounts of the new authority provided by Congress in any given year are carried over for expenditure in subsequent years. As a result huge balances of spending authority are carried over from year to year. This complicates efforts to restrain expenditure growth. Example: at the close of fiscal year 1981, the balance of spending authority remaining available totaled $802.8 billion, about 35 percent of which was unobligated or uncommitted. Estimates indicate these balances will grow to $870 billion by the end of fiscal year 1983.

While Congress is extremely sensitive about its "power of the purse," the complexities of the procedures just outlined clearly impede its efforts to exercise effective budgetary control, except over a period of years, since it does not deal directly with scheduling of outlays.

RECOMMENDATION: In all bills providing new spending authority and in committee reports on such funding measures, Congress should include its estimate, or recommendation, on the outlay level it deems appropriate in the fiscal year for which the authority is provided for each appropriation item included in the bill.

One of the major flaws in Congress's handling of the budget is its repeated failure to complete action on budget bills prior to the start of the fiscal year. This has resulted in Congress resorting all too often to the "continuing resolution" device to provide agencies with temporary operating authority. This represents nothing short of abdication by the Congress of its budgetary responsibility and is, at best, a sloppy way to conduct the public's business.

One of the major objectives of the reforms instituted by the 1974 Congressional Budget Act was the establishment of a timetable designed to insure completion of Congress's budget actions prior to the start of a new fiscal year. A House Budget Committee staff report in 1978 described "rigorous adherence" to the timetable as essential to success of the budget process. However, after an encouraging start, Congress has recently returned to its old ways, resorting once again to the "continuing resolution" device. Agencies covered by such resolutions are forced to operate for months, on occasion, on the basis of neither the President's budget proposal nor a congressional decision thereon.

RECOMMENDATION: Whenever Congress fails to complete action on budget requests prior to the start of a given fiscal year, the President's budget recommendation shall automatically become effective in determining the level of operations for agencies and programs for which funding has not been provided.

EXECUTIVE IMPLEMENTATION

Traditionally, under the budget system an authorization by Congress has been regarded as a ceiling on the amount which could be appropriated, and an appropriation represented a ceiling on the amount which could be obligated and expended. It was then left to the President and Executive Branch to control the rate of spending and to achieve efficiencies and savings wherever possible. In recent years, however, this has become a very controversial part of the system.

There is a natural adversary relationship between Congress and the President in matters of budgetary policy. Basically, the President and his agency heads must accept the role and responsibilities of the Congress; and the Congress must understand and accept the need to permit the President leeway in his implementation of their budgetary actions. Put another way, Congress can and should have a role in establishment of budget policy; but it cannot administer day-to-day operations of the government and should not try.

The Congress is basically not an innovative body. Most program and policy initiatives originate in the Executive Branch. Where such initiatives are displeasing to Congress, it is often prone to overreact; doing so can not only hamstring the Executive implementation of the budget, but also make Congress's own job more difficult. This happened with the impoundment control provisions of the Congressional Budget and Impoundment Control Act of 1974.

Historically, the President has acted to impound (or reserve) funds appropriated by Congress, or to defer their obligation and expenditure, when changing conditions or other factors indicated such action was needed. Sometimes congressional complaints were voiced when this occurred, but it could be helpful in avoiding unnecessary or unwise spending. Impoundment was also consistent with the concept that an appropriation constituted a ceiling on the amount to be expended, not an irreversible mandate to spend.

During the Nixon Administration, however, there were obvious abuses. Impoundment was used to eliminate entire programs and agencies, on occasion, and to disregard the intent of the Congress. In a typical overreaction, Congress restricted the use of impoundments in a way which invaded the President's prerogatives in budget implementation. This

was a step toward making an appropriation approved by Congress a mandate to spend.

Those provisions were designed to restrict the President's use of two types of impoundments—rescissions and deferrals. If a President sought to rescind, i.e., cancel, spending authority voted by the Congress, he was required to send a message to Congress detailing the reasons. Unless his proposal was approved by *both* Houses within 45 days of "continuous session," the funds would then become available for obligation and expenditure. In the case of proposed deferrals—i.e., delays in obligating appropriated funds—such proposals could be disapproved by action of *either* House.

One problem with such constraints, particularly with respect to rescissions, is the time factor. The required 45 days of "continuous session" could stretch into months if there were congressional recesses or adjournments. Another is that the constraints do not take into account significant differences in the purposes of impoundment proposals. Some are simply to achieve efficiencies or savings and do not restrict programs or involve policy or priority issues. Others significantly affect programs and do involve policy issues and spending priorities.

In any event, there is need for reconsideration and adjustments in the impoundment restrictions imposed by Congress in 1974, so as not to impede Executive Branch opportunities to achieve greater efficiency and economy.

RECOMMENDATION: Where proposed impoundments do not involve policy or priority issues and are intended only to achieve savings, existing impoundment control provisions should be amended to eliminate requirements for Presidential reports and congressional approval.

RECOMMENDATION: Where proposed impoundments do involve policy or priority disputes between Congress and the President, existing impoundment control provisions should be changed to require that *both* Houses of Congress must act on a resolution of disapproval within 45 calendar days. In the absence of such action, the President's proposal would automatically take effect.

CONGRESSIONAL OVERSIGHT

Most of the major Federal agencies today have Inspectors General to help in rooting out fraud and abuse. The General Accounting Office in the Legislative Branch, in many cases, does an effective job of program review and audit, and submits numerous reports and recommendations to the Congress each year. Too often, however, these reports are ignored, or at least not acted upon, by Congress.

Beyond this, congressional oversight is weak and inconsistent. Congressional committees do conduct program reviews, but these usually occur at the time when reauthorization of a program is required. To contend that such reviews constitute tough, objective evaluations of program performance and achievement would be a gross overstatement. In too many cases, they provide simply a convenient vehicle for the program managers in the bureaucracy and the beneficiaries of the program to support its extension and, if possible, to secure its expansion and additional funding. As a result, Federal programs, once established, are seldom reduced and almost never terminated.

One of the greatest obstacles to effective oversight and audit of spending programs is that elected officials realize only too well that there are far greater political advantages in providing funds which benefit a variety of interest groups than there are in demanding strict accountability or exposing program weaknesses and failures or, for that matter, even in reducing budget deficits or achieving budget balance.

There are other problems. The growth propensities of Federal spending programs are largely buried in the myriad of details in a complex budget. They are seldom, if ever, examined in their entirety. Congress, in the appropriations process, relies heavily on usually unpublished justifications submitted by the spending agencies which tend to focus largely upon requested increments or increases rather than on basic program and performance. Still another problem is that most authorization legislation does not identify, except perhaps in the broadest terms, specific program objectives against which the Congress or its committees can later measure performance and make cost-effective evaluations.

RECOMMENDATION: The Office of Management and Budget, or alternatively the Congressional Budget Office, should be required to prepare and publish periodically an analysis indicating the growth in scope and cost of each major Federal spending program since its inception.

RECOMMENDATION: All measures authorizing new or reauthorizing existing programs should be required to include, in the bills themselves or in the committee reports thereon, clear and detailed statements of program objectives against which performance and cost-effectiveness can be measured.

CONCLUSION

The attainment of more responsible budgetary and fiscal policies and actions will require strong political leadership and the enforcement of strict standards of accountability. These, in turn, will require greater citizen understanding, interest, and support. More "truth in budgeting" is an essential ingredient to generating this public confidence and support. The recommendations in this report are offered in the hope of promoting that worthy cause.

ABOUT THE AUTHOR

MAYNARD H. WATERFIELD has been a student of Federal fiscal policy for nearly 50 years. He first came to Washington, D.C., from his native Ohio as an aid to Senator Hiram W. Johnson of California in 1934. In 1941, he joined the staff of Senator Harold H. Burton, who later became Supreme Court Justice, of Ohio. In 1945 he joined the Citizens National Committee as director of legislative research.

When the Committee merged with the Tax Foundation in 1948, Mr. Waterfield became the Foundation's director of Federal affairs and manager of its Washington office. His principal responsibility was to monitor and report on Federal budgetary and spending programs.

Mr. Waterfield served as editor of the Foundation's newsletter *Washington News* and directed the organization's annual appraisal of the presidential budget. He has had responsibility for a number of major studies published by the Foundation, the most recent of which, "The Congressional Budget Process at the Crossroads," he authored shortly after his retirement in 1980.

The views expressed in "Needed: More Fiscal Responsibility" are those of the author and not necessarily those of the Tax Foundation, Incorporated.